

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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February 27, 2008

Mr. Greg Williams, Reimbursement Manager
Sava Senior Care Administrative Services, LLC
5300 West Sam Houston Parkway North, Suite 200
Houston, Texas 77041

Re: AC# 3-FAI-J4 – GranCare South Carolina, Inc. d/b/a Faith Health Care Center

Dear Mr. Williams:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2003 through September 30, 2004. That report was used to set the rate covering the contract period beginning October 1, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written over a horizontal line.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**GRANCARE SOUTH CAROLINA, INC.
D/B/A FAITH HEALTH CARE CENTER**

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2005
AC# 3-FAI-J4**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 28, 2007

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Faith Health Care Center, for the contract period beginning October 1, 2005, and for the twelve month cost report period ended September 30, 2004, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Faith Health Care Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Faith Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Faith Health Care Center dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 28, 2007

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

FAITH HEALTH CARE CENTER
Computation of Rate Change
For the Contract Period
Beginning October 1, 2005
AC# 3-FAI-J4

	10/01/05- <u>09/30/06</u>
Interim Reimbursement Rate (1)	\$107.56
Adjusted Reimbursement Rate	<u>102.07</u>
Decrease in Reimbursement Rate	\$ <u><u>5.49</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 17, 2007.

FAITH HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2005 Through September 30, 2006
AC# 3-FAI-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.29	\$ 75.11	
Dietary		10.78	12.63	
Laundry/Housekeeping/Maintenance		<u>9.04</u>	<u>10.97</u>	
Subtotal	<u>\$6.91</u>	70.11	98.71	\$ 70.11
Administration & Medical Records	<u>\$3.06</u>	<u>13.07</u>	<u>16.13</u>	<u>13.07</u>
Subtotal		83.18	<u>\$114.84</u>	83.18
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		1.19		1.19
Medical Supplies & Oxygen		2.74		2.74
Taxes and Insurance		1.38		1.38
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$91.00</u>		91.00
Inflation Factor (4.70%)				4.28
Cost of Capital				5.04
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.06
Cost Incentive				6.91
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(8.22)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$102.07</u>

FAITH HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,912,066	\$ 6,652 (5)	\$17,353 (3) 333 (3) 42,896 (4) 1,822 (4) 5,975 (6) 6,596 (6) 988 (7) 5,022 (8)	\$1,837,733
Dietary	423,418	69,320 (5) 295 (7)	5,673 (4) 68,522 (6) 24,767 (8)	394,071
Laundry	83,821	13,723 (5)	13,723 (6)	83,821
Housekeeping	141,711	4,937 (5)	4,750 (6)	141,898
Maintenance	99,114	17,775 (5) 8,397 (7)	1,333 (4) 19,211 (6)	104,742
Administration & Medical Records	519,609	31,135 (5)	3,603 (4) 449 (4) 19,245 (6) 49,982 (7)	477,465
Utilities	93,341	16,638 (5)	18,247 (6) 28 (7)	91,704
Special Services	40,419	17,686 (3) 742 (7)	1,439 (4) 14,004 (8)	43,404
Medical Supplies & Oxygen	110,436	6,014 (5)	118 (4) 8,126 (6) 8,153 (8)	100,053

FAITH HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	82,866	14,193 (5)	36,718 (2) 9,643 (6) 143 (7)	50,555
Legal Fees	-	-	-	-
Cost of Capital	194,764	167 (1) 2,490 (5) <u>21,984 (9)</u>	6,232 (6) 29,181 (7)	183,992
Subtotal	3,701,565	232,148	424,275	3,509,438
Ancillary	59,756	-	-	59,756
Nonallowable	1,024,252	36,718 (2) 57,333 (4) 180,270 (6) 70,888 (7) 51,946 (8)	167 (1) 182,877 (5) 21,984 (9)	1,216,379
CNA Training and Testing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$4,785,573</u>	<u>\$629,303</u>	<u>\$629,303</u>	<u>\$4,785,573</u>
Total Patient Days	<u>36,541</u>	<u>-</u>	<u>-</u>	<u>36,541</u>
Total Beds	<u>104</u>			

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$21,804	
	Cost of Capital	167	
	Accumulated Depreciation		\$13,195
	Other Equity		8,609
	Nonallowable		167
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	36,718	
	Taxes and Insurance		36,718
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
3	Special Services	17,686	
	Nursing		17,353
	Restorative		333
	To reclassify expense to the proper cost center		
	HIM-15-1, Section 2304		
	DH&HS Expense Crosswalk		
4	Nonallowable	57,333	
	Nursing		42,896
	Restorative		1,822
	Dietary		5,673
	Maintenance		1,333
	Administration		3,603
	Medical Records		449
	Medical Supplies		118
	Special Services		1,439
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Restorative	6,652	
	Dietary	69,320	
	Laundry	13,723	
	Housekeeping	4,937	
	Maintenance	17,775	
	Administration	31,135	
	Utilities	16,638	
	Taxes and Insurance	14,193	
	Medical Supplies	6,014	
	Cost of Capital	2,490	
	Nonallowable		182,877
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	180,270	
	Nursing		5,975
	Restorative		6,596
	Dietary		68,522
	Laundry		13,723
	Housekeeping		4,750
	Maintenance		19,211
	Administration		19,245
	Utilities		18,247
	Taxes and Insurance		9,643
	Medical Supplies		8,126
	Cost of Capital		6,232
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

FAITH HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
7	Dietary	295	
	Maintenance	8,397	
	Special Services	742	
	Nonallowable	70,888	
	Nursing		988
	Administration		49,982
	Utilities		28
	Taxes and Insurance		143
	Cost of Capital		29,181
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	51,946	
	Nursing		5,022
	Dietary		24,767
	Medical Supplies		8,153
	Special Services		14,004
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Cost of Capital	21,984	
	Nonallowable		21,984
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$651,107</u>	<u>\$651,107</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

FAITH HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>104</u>
Deemed Asset Value	4,409,808
Improvements Since 1981	514,652
Accumulated Depreciation at 9/30/04	(<u>1,002,365</u>)
Deemed Depreciated Value	3,922,095
Market Rate of Return	<u>.0516</u>
Total Annual Return	202,380
Return Applicable to Non-Reimbursable Cost Centers	(32,840)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	169,540
Depreciation Expense	47,894
Amortization Expense	742
Capital Related Income Offsets	(27,952)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(6,232)</u>
Allowable Cost of Capital Expense	183,992
Total Patient Days (Minimum 96% Occupancy)	<u>36,541</u>
Cost of Capital Per Diem	\$ <u><u>5.04</u></u>

FAITH HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2004
AC# 3-FAI-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$5.33</u></u>
Reimbursable Cost of Capital Per Diem	\$5.04
Cost of Capital Per Diem	<u>5.04</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>

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